



Management Letter

March 13, 2020

To the Honorable County Judge and
Members of the Commissioners' Court of
Polk County, Texas:

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to Polk County, Texas (the "County"). Accordingly, the County's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be other matters.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our findings and additional comments are as follows:

CURRENT YEAR MATTERS:

Other Matters:

2019-001. ESCHEAT PAYABLE

Criteria

Under *Texas State Property Code Chapter 72, Subchapter B. § 72.101*, property is presumed abandoned if the owner of the property does not claim the property within three years. Under *Texas State Property Code Chapter 74, Subchapter D. § 74.301*, each holder who on March 1 holds property that is presumed abandoned under Chapter 72 shall deliver the property to the Comptroller on or before the following July 1 accompanied by the report required to be filed under Section 74.101. Under *Texas State Property Code Chapter 74, Subchapter B. § 74.101*, each holder who on March 1 holds property that is presumed abandoned under Chapter 72 of this code shall file a report of that property on or before the following July 1.

Condition

The District Attorney, Tax Assessor Collector, County Clerk, and District Clerk (the “Departments) have a significant number of checks outstanding at year end, some of which are more than three years old.

Recommendation

All outstanding checks that are more than three years old from March 1 of the current year should be reported and delivered to the State no later than July 1. The Departments should monitor all outstanding checks and record escheat payable in accordance with the Texas State Property Code noted above.

Management Corrective Action Plan

The County is working on submitting all funds that should be escheated to the State in accordance with the Texas State Property Code.

2019.002. PUBLIC FUNDS INVESTMENT ACT

Criteria

Chapter 2256 of the Texas Government Code, Public Funds Investment Act (the “Act”) prescribes certain requirements for government and nonprofit entities investing public funds. Some of the more basic requirements of the Act include mandatory approval of quarterly investment reports in compliance with the Act.

Condition

The quarterly investment reports were not approved by Commissioners’ Court as required by the Act.

Recommendation

The Treasurers office should ensure all investment reports are approved by Commissioner’s Court as required by the Act. More information on the Act can be found online at www.statutes.legis.state.tx.us.

We would like to thank the members of Commissioners’ Court, the County Judge, and the County’s management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

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